

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

**Minutes of a Meeting of the
Board of Trustees**

**Held on May 23, 2018
2:30 o'clock p.m.**

**Offices of
Climaco, Wilcox, Peca & Garofoli Co., L.P.A.
55 Public Square, Suite 1950
Cleveland, Ohio**

There being a quorum present, Mr. Carroll called the meeting to order at approximately 2:30 p.m. Board members Matt Carroll and William Reidy were present as was newly appointed Board member David Ebersole. Also present were Todd Greathouse, Brian Kelly, and Daniella Nunnally of Gateway, as well as Dennis Wilcox and Scott Simpkins as Gateway's General Counsel. Also present was Gateway's Engineering Consultant David Faller. Present from Cuyahoga County was intern Gabe Sekeres and for the City of Cleveland Ken Silliman. Present from the Indians were Jim Folk, Neil Weiss, and Dennis Lehman. Present from the Cavs were Anthony Bonavita and Beverly Skoar. Present from the media was Courtney Astolfi of cleveland.com. Present from Stifel Nicolaus was Robert Franz. Present from the public was William Tarter.

Mr. Carroll opened the meeting and asked for approval of the Minutes of the February 14, 2018 meeting. Upon motion made by Mr. Reidy, and seconded by Mr. Carroll, the Minutes were unanimously approved 2-0.

Next, Mr. Carroll asked if there was any public comment. There was no public comment.

The Board next heard the Executive Director's report. Mr. Greathouse welcomed Mr. Ebersole and introduced him to the Board and other attendees. Mr. Greathouse then asked Mr. Wilcox to introduce Resolution 2018-2 for approval of the appointment of Mr. Ebersole to serve as the City's ex officio member of the Board of Trustees to replace Tracey Nichols for the term expiring May 31, 2022. Based on the presentation and motion by Mr. Reidy and seconded by Mr. Carroll, the following Resolution 2018-2 was unanimously approved by the Board:

RESOLUTION NO. 2018-2

**REGARDING SEATING OF DAVID EBERSOLE
AS EX OFFICIO MEMBER OF THE BOARD
OF GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

WHEREAS, Tracey Nichols was previously appointed as a member of the Corporation's Board of Trustees as an ex officio member for the City of Cleveland and for the continuation of the term commencing June 1, 2012; and

WHEREAS, Ms. Nichols subsequently resigned from the Board; and

WHEREAS, the Board has been notified by the Mayor of the City of Cleveland that he wishes to designate David Ebersole, Interim Director of Economic Development, to serve as the City's ex officio member to replace Ms. Nichols for the term commencing immediately and expiring May 31, 2022; and

WHEREAS, such appointment was confirmed by the Council of the City.

NOW, THEREFORE, BE IT RESOLVED, that David Ebersole be and hereby is seated as a member of the Board of Trustees and as a member of the Corporation as the City's ex officio member, such term to commence immediately and to expire May 31, 2022, subject to reappointment by the Mayor.

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Next, Mr. Greathouse reported on Arena Major Capital Repair requests and introduced Mr. Faller. Mr. Faller then discussed the Arena life safety and fire alarm system and noted that the existing life safety and fire alarm system and much of the equipment is from the initial installation in 1994 and, although the Arena staff has maintained the equipment well, the equipment is well past its expected useful life. The project budget for the replacement of the fire alarm system is \$597,026 and Mr. Faller stated that replacement of the fire alarm system now while the Arena is undergoing significant renovation is appropriate. Mr. Greathouse then noted that the Cavs will be funding the project pending approval by the County and he then recommended approval by Gateway. Mr. Carroll then asked if there were any questions and confirmed that the cost is contingent on replacement this year. Having heard no comments, Mr. Carroll then noted that Resolution No. 2018-3 was prepared for recommending approval of the fire alarm and life safety system replacement to the City and County as a Major Capital Repair. Based on the presentation and motion by Mr. Reidy and seconded by Mr. Ebersole, the following Resolution 2018-3 was unanimously approved by the Board:

RESOLUTION NO. 2018-3

REGARDING RECOMMENDATION WITH RESPECT TO
REQUEST FOR MAJOR CAPITAL REPAIRS FROM
THE CAVALIERS OPERATING COMPANY, LLC

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland (“Gateway”) has agreed to provide for Major Capital Repairs as defined in the Lease dated as of October 12, 2017 (the “Lease”) between Gateway and Cavaliers Operating Company, LLC (the “Cleveland Cavaliers”); and

WHEREAS, the Board of Trustees (the “Board”) of Gateway has previously notified the City of Cleveland, Ohio (“City”) and Cuyahoga County (“County”) that Gateway does not have sufficient funds to pay Major Capital Repairs as defined in the Lease and requested the respective appointing authorities of Gateway, the City and the County, to consider such funding of Major Capital Repairs; and

WHEREAS, on May 9, 2012 the Board adopted Resolution No. 2012-1 setting forth its policies and procedures with respect to Major Capital Repairs (“Policy”); and

WHEREAS, the Cleveland Cavaliers have submitted a request for approval of Major Capital Repairs to the Arena under the Lease; and

WHEREAS, the Board has reviewed such request and pursuant to the Policy has received information from its professional consultant recommending approval of such items as noted on Exhibit A as Major Capital Repairs; and

WHEREAS, the Gateway Board desires to recommend approval of the Major Capital Repairs request from the Cleveland Cavaliers as further described in Exhibit A attached hereto.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway, on behalf of Gateway, finds that the requested Major Capital Repairs from the Cleveland Cavaliers for the Arena, attached as Exhibit A hereto, are Major Capital Repairs under the Lease and are hereby recommended for approval.

BE IT FURTHER RESOLVED, that this Resolution, including the attached Exhibit A, constitutes Gateway’s recommendation under the Policy and shall be forwarded to the City and the County forthwith and Gateway shall continue to provide information to the City and the County as requested to support this recommendation.

BE IT FINALLY RESOLVED, that the Board respectfully requests the County or City make a decision as to this recommendation no later than August, 2018.

Exhibit A

Cleveland Cavaliers Major Capital Requests

- Life Safety and Fire Alarm System \$ 597,026

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Next, Mr. Greathouse discussed a new Major Capital Repair request for the Ballpark. The request is for the replacement of the exterior escalators/vertical transportation system and Mr. Greathouse noted that they have been working with an elevator consultant and Mr. Faller regarding the request. Mr. Faller then discussed the current situation regarding the four escalators to the upper concourse at the Ballpark and that the four identified escalators and components are beyond their useful and serviceable life. The project budget for the replacement of the vertical transportation system is \$2.6 million. Mr. Reidy asked if the current escalator situation is a potential safety concern and Mr. Faller responded that there is a safety factor to consider when the systems fail while in use by the public. Mr. Ebersole then inquired about funding for the project. Mr. Greathouse indicated that funding will come, in part, from savings realized from other projects and referred the Board to an enclosure from the Board materials. Referring to the enclosure, Mr. Greathouse did note that even assuming all of the anticipated savings are realized, there will still be a shortfall of funding in the amount of approximately \$78,085. Mr. Faller then noted that the true cost of the project should be known by July 4, 2018. Mr. Carroll then asked Mr. Faller to confirm that the current escalators are the original escalators, which he did. Mr. Carroll then introduced Resolution No. 2018-3 for recommending approval of the vertical transportation system replacement as a Major Capital Repair. Based on the presentation and motion of Mr. Ebersole and seconded Mr. Reidy, the following Resolution 2018-4 was unanimously approved by the Board:

RESOLUTION NO. 2018-4

REGARDING RECOMMENDATION WITH RESPECT TO REQUEST FOR MAJOR CAPITAL REPAIRS FROM THE CLEVELAND INDIANS BASEBALL COMPANY LIMITED PARTNERSHIP

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland (“Gateway”) has agreed to provide for Major Capital Repairs as defined in the Lease (the “Lease”) between Gateway and Cleveland Indians Baseball Company Limited Partnership (the “Cleveland Indians”); and

WHEREAS, the Board of Gateway has previously notified the City of Cleveland, Ohio (“City”) and Cuyahoga County (“County”) that Gateway does not have sufficient funds to pay Major Capital Repairs as defined in the Lease and requested the respective appointing authorities of Gateway, the City and the County, to consider such funding of Major Capital Repairs; and

WHEREAS, on May 9, 2012 the Board adopted Resolution No. 2012-1 setting forth its policies and procedures with respect to Major Capital Repairs (“Policy”); and

WHEREAS, the Cleveland Indians have submitted a request for approval of Major Capital Repairs to the Ballpark under the Lease; and

WHEREAS, the Board has reviewed such request and pursuant to the Policy has received information from its professional consultant recommending approval of such items as Major Capital Repairs; and

WHEREAS, the Gateway Board desires to recommend approval of the Major Capital Repairs request from the Cleveland Indians as further described in Exhibit A attached hereto.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway, on behalf of Gateway, finds that the requested Major Capital Repairs from the Cleveland Indians for the Ballpark, attached as Exhibit A hereto, are Major Capital Repairs under the Lease and are hereby recommended for approval.

BE IT FURTHER RESOLVED, that this Resolution, including the attached Exhibit A, constitutes Gateway's recommendation under the Policy and shall be forwarded to the City and the County forthwith and Gateway shall continue to provide information to the City and the County as requested to support this recommendation.

BE IT FINALLY RESOLVED, that the Board respectfully requests the County or City make a decision as to this recommendation no later than August 31, 2018.

Exhibit A

Cleveland Indians Major Capital Requests

- Exterior Escalators Vertical Transportation System \$ 2,600,000

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Mr. Greathouse then introduced Mr. Weiss of the Cleveland Indians to discuss two Major Capital Repair projects that the Indians will be requesting in the future. The first project discussed by Mr. Weiss is the renovation of the Ballpark office building which was built in 1993 and, although initially housed approximately 80 staff, now houses approximately 220 staff. Mr. Weiss confirmed that the first phase of the project will be to renovate the first floor of the office building to accommodate today's needs, such as providing more office space and less space devoted to street-level ticket sales. Mr. Weiss then discussed the second Major Capital Repair project which will be a renovation of the club level at the Ballpark. Mr. Weiss noted that the club level has not seen significant change since it was first built and is not well-designed for non-game events. Moreover, Mr. Weiss stated that the kitchen equipment is outdated and because of the current design, the club facility does not allow viewing of the Ballpark field during games. Mr. Ebersole asked how the Indians envision the remaining office space after the first floor renovations and Mr. Weiss responded that the goal is to renovate remaining floors to ultimately accommodate 230/240 staff. Mr. Carroll asked if there were any further questions and hearing none, Mr. Greathouse resumed with his Major Capital Repairs update.

Mr. Greathouse provided an update regarding Arena roof repairs and HVAC replacement with the anticipation that the project costs spent are approximately \$19.6 million, well below the \$27 million budgeted. Mr. Greathouse also noted that the hot water tanks have been delivered to the

Arena through the Arena roof and they are waiting until August to complete the hot water tank replacement project.

Mr. Greathouse then noted as it relates to the Transformation Project that the foundations have been poured and the skylight canopy has been demolished and offices are currently being demolished. They are working in cooperation with the contractor with the HVAC project. Mr. Carroll asked if there have been any traffic issues and Mr. Bonavita of the Cavs stated so far things have been working relatively smoothly and that the City, police and ODOT have all been working cooperatively.

Ms. Nunnally then gave a brief update on the inclusion efforts and Mr. Greathouse noted the team effort at inclusion being performed by the City, the contractor, Mr. Bonavita and the additional reporting provided.

Next, the financial reports were given by Brian Kelly. He first reviewed the operating account for the month ended April 30, 2018 and reported a cash beginning balance of \$330,294, total receipts of \$287,909, total disbursements of \$339,218 for a month-end balance of \$278,985. He then reviewed the Ballpark Capital account for April which had a beginning balance of \$97,793, receipts of \$300,000, capital disbursements of \$363,841 for an ending balance of \$33,953.

He then reviewed the projections from May 1st through July 31st. First, the current account balance is \$278,985, anticipated revenues are \$1,116,470, for estimated money before disbursements of \$1,395,455. Operating disbursements are anticipated to be \$1,272,498, for an estimated balance by July 31st of \$122,957.

Mr. Kelly then reviewed the current status of property taxes and noted that the Indians have paid the property taxes and the Cavs will have property taxes in the amounts of \$216,779 and \$17,764 yet to be paid.

Mr. Kelly then provided a Quicken Loans Arena major capital spreadsheet. Mr. Kelly reported the total amount approved thus far equals \$26,384,721, while the total paid equals \$23,133,480. He then discussed the transformation project and noted the cumulative amount submitted is \$20,614,410. The total amount for the Transformation is \$140,955,000. After the \$140,955,000 amount, the Cavs self-fund the balance of the project costs.

He then provided a Progressive Field major capital account spreadsheet. The total Major Capital amount approved equals \$37,415,629, while the total paid equals \$34,492,363.

Next, Mr. Carroll asked again if there is any public comment. The Board heard public comment from William Tarter. He inquired about the status of funding for the Transformation Project and Mr. Greathouse confirmed that approximately \$19 million has been submitted for approval and the Cavs are currently self-funding amounts pending County payment.

Having completed the Agenda business, Mr. Carroll noted that the next meeting is scheduled for August 8, 2018.

Upon motion made by Mr. Carroll, seconded by Mr. Reidy, the Board adjourned the meeting at approximately 3:17 p.m.

APPROVED:

Secretary-Treasurer